



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CALDWELL COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CALDWELL COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Caldwell County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances decreased by \$173,754 from the prior fiscal year, resulting in a cash surplus of \$859,893 as of June 30, 2000. Revenues increased by \$1,530,811 from the prior year and disbursements increased by \$1,603,330.

Debt Obligations:

Total bonded debt principal as of June 30, 2000, was \$3,045,000. Future collections of \$5,422,380 are needed over the next 24 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$1,086,000 as of June 30, 2000. Future principal and interest payments of \$1,446,507 are needed to meet these obligations.

Report Comment:

The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$54,409 As Collateral To Protect Deposits

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Van Knight, Caldwell County Judge/Executive
Members of the Caldwell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Caldwell County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Caldwell County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Caldwell County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2000 of Caldwell County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
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Members of the Caldwell County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 7, 2001 on our consideration of Caldwell County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the comment and recommendation, included herein, which discusses the following report comment:

- The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$54,409 As Collateral To Protect Deposits.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Caldwell County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 7, 2001

CALDWELL COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Van Knight	County Judge/Executive
Sandy Boaz	Magistrate
Charles Tinsley	Magistrate
Ricky Cartwright	Magistrate
George Kilgore	Magistrate

Other Elected Officials:

James B. Miller	County Attorney
Calvin Trusty	Jailer
Toni Watson	County Clerk
Jo Ann Newsom	Circuit Court Clerk
Stan Hudson	Sheriff
James Wallace	Property Valuation Administrator
Eddie Pennington	Coroner

Appointed Personnel:

Dottie S. Duncan	County Treasurer
Joyce Gilkey	Occupational Tax Collector
Betty Holt	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

CALDWELL COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:		
Cash	\$	90,951
Road and Bridge Fund:		
Cash		336,119
Jail Fund:		
Cash		7,062
Local Government Economic Assistance Fund:		
Cash		14,150
Ambulance Fund:		
Cash		113
Occupational Tax Fund:		
Cash		409,113
Payroll Revolving Account - Cash	<u>17,662</u>	\$ 875,170

Debt Service Fund Type

Voted Hospital Bond Fund (Series 1976) :		
Cash		2,385

Other Resources

General Fund Type

General Fund:		
General Obligation Refunding Bonds		
Amounts to be Provided in Future Years for Bond Principal		
Payments (Note 4)	\$	3,045,000
Amounts to be Provided in Future Years for KaCoLT Capital		
Lease Principal Obligations (Note 5)		161,000
Local Government Economic Assistance Fund:		
Amounts to be Provided in Future Years for KaCoLT Capital		
Lease Principal Obligations (Note 5)		500,000

The accompanying notes are an integral part of the financial statements.

CALDWELL COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Assets and Other Resources (Continued)

Other Resources (Continued)

General Fund Type (Continued)

Ambulance Fund:

Amounts to be Provided in Future Years for KaCoLT Capital

Lease Principal Obligations (Note 5) \$ 241,000

Occupational Tax Fund:

Amounts to be Provided in Future Years for KADD Capital

Lease Principal Obligations (Note 5) 184,000

Debt Service Fund Type

Voted Hospital Bond Fund (Series 1976)

Amounts to be Provided for Interest

Matured and Unpresented (Note 4) 285 \$ 4,131,285

Total Assets and Other Resources

\$ 5,008,840

Liabilities and Fund Balances

Liabilities

General Fund Type

General Fund:

General Obligation Refunding Bonds-

Bond Principal Not Matured (Note 4) \$ 3,045,000

KaCoLT Capital Lease Principal Obligations-

Courthouse Annex (Note 5) 161,000

Local Government Economic Assistance Fund:

KaCoLT Capital Lease Principal Obligations-

Economic Speculation Building (Note 5) 500,000

Ambulance Fund:

KaCoLT Capital Lease Principal Obligations-

Ambulance Service Building (Note 5) 241,000

The accompanying notes are an integral part of the financial statements.

CALDWELL COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities and Fund Balances (Continued)

Liabilities (Continued)

General Fund Type (Continued)

Occupational Tax Fund:

KADD Capital Lease Principal Obligations-		
Fire Truck (Note 5)	\$ 184,000	
Payroll Revolving Account	<u>17,662</u>	\$ 4,148,662

Debt Service Fund Type

Voted Bond Fund:

Interest Matured and Unpresented (Note 4)		2,670
---	--	-------

Fund Balances

Unreserved:

General Fund Type

General Fund	\$ 90,951	
Road and Bridge Fund	336,119	
Jail Fund	7,062	
Local Government Economic Assistance Fund	14,150	
Ambulance Fund	113	
Occupational Tax Fund	<u>409,113</u>	<u>857,508</u>

Total Liabilities and Fund Balances		<u>\$ 5,008,840</u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

CALDWELL COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 4,049,608	\$ 874,072	\$ 879,170	\$ 127,442
Transfers In	569,227	122,478		183,610
Kentucky Advance Revenue Program	541,815	252,710	289,105	
Total Cash Receipts	<u>\$ 5,160,650</u>	<u>\$ 1,249,260</u>	<u>\$ 1,168,275</u>	<u>\$ 311,052</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,579,362	\$ 861,656	\$ 874,858	\$ 286,224
Transfers Out	569,227	245,292		37,360
Capital Lease- Principal Paid	644,000	12,000		
Kentucky Advance Revenue Program Repaid	541,815	252,710	289,105	
Total Cash Disbursements	<u>\$ 5,334,404</u>	<u>\$ 1,371,658</u>	<u>\$ 1,163,963</u>	<u>\$ 323,584</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (173,754)	\$ (122,398)	\$ 4,312	\$ (12,532)
Cash Balance - July 1, 1999	<u>1,033,647</u>	<u>213,349</u>	<u>331,807</u>	<u>19,594</u>
Cash Balance - June 30, 2000	<u>\$ 859,893</u>	<u>\$ 90,951</u>	<u>\$ 336,119</u>	<u>\$ 7,062</u>

The accompanying notes are an integral part of the financial statements.

CALDWELL COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 2000
(Continued)

General Fund Type			Special Revenue Fund Type	Debt Service Fund Type
Local Government Economic Assistance Fund	Ambulance Fund	Occupational Tax Fund	Grant Fund	Voted Hospital Bond Fund
\$ 726,764 800	\$ 79,885 182,339	\$ 595,454 80,000	\$ 766,821	\$
\$ 727,564	\$ 262,224	\$ 675,454	\$ 766,821	\$ 0
\$ 127,175 800	\$ 247,279 670	\$ 405,349 219,297	\$ 776,821	\$ 65,808
600,000	16,000	16,000		
\$ 727,975	\$ 263,949	\$ 640,646	\$ 776,821	\$ 65,808
\$ (411) 14,561	\$ (1,725) 1,838	\$ 34,808 374,305	\$ (10,000) 10,000	\$ (65,808) 68,193
\$ 14,150	\$ 113	\$ 409,113	\$ 0	\$ 2,385

The accompanying notes are an integral part of the financial statements.

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Caldwell County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Caldwell County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Caldwell County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Caldwell County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Caldwell County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Ambulance Fund, and Occupational Tax Fund.

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Grant Fund of the Fiscal Court is reported as a Special Revenue Fund Type.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Voted Hospital Bond Fund.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Caldwell County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Caldwell County Fiscal Court: Princeton-Caldwell County Industrial Development Authority and Pennyriple Emergency Assistance Center.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

CALDWELL COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of June 30, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$54,409 of public funds uninsured and unsecured.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2000.

	<u>Bank Balance</u>
Insured or collateralized with securities held by the county's agent in the county's name	\$ 646,053
Uncollateralized and uninsured	<u>54,409</u>
Total	<u><u>\$ 700,462</u></u>

Note 4. Long-Term Debt

Public Hospital Corporation First Mortgage Refunding Revenue Bonds, Series 1996

On January 2, 1997, the Caldwell County Fiscal Court issued bonds in the amount of \$1,835,000 for the purpose of refunding a Series 1988 bond issue in the amount of \$1,800,000, to defray the cost of issuance and to fund a Debt Service Reserve Fund. A release of the county's obligations relating to the Series 1988 bonds was recorded in the Clerk's office on January 2, 1997.

On June 30, 1999, the Caldwell County Fiscal Court issued General Obligation Refunding Bonds, Series 1999 for \$3,175,000. The proceeds from these bonds were for the purpose of refunding the Series 1996 bonds and payments of short-term indebtedness of the hospital. On June 30, 1999, the Caldwell County Fiscal Court deposited \$1,511,096 with the escrow agent, First Bank and Trust for the defeasance of the outstanding bonds from the Public Hospital Corporation First Mortgage Refunding Revenue Bonds, Series 1996. This amount in addition to the amount transferred from the debt service fund, has been determined to meet all bond and interest payments scheduled to mature on and after January 1, 2000 to and including January 1, 2007.

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 4. Long-Term Debt (Continued)

General Obligation Refunding Bonds, Series 1999

On June 30, 1999 the Caldwell County Fiscal Court issued bonds in the amount of \$3,175,000 as reflected above. Interest on the bonds is payable each January 1 and July 1, beginning January 1, 2000. The bonds were issued in principal amounts of \$5,000 and integral multiples thereof and mature at various dates beginning January 1, 2000 through January 1, 2024. The bonds are subject to redemption prior to maturity.

Bonds and interest outstanding as of June 30, 2000:

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001	\$ 156,678	\$ 70,000
2002	153,702	70,000
2003	150,727	75,000
2004	147,390	80,000
2005	143,830	80,000
2006-2024	<u>1,625,053</u>	<u>2,670,000</u>
Totals	<u>\$ 2,377,380</u>	<u>\$ 3,045,000</u>

Voted Hospital Bond Issue

The State Local Debt Officer shows \$2,670 of coupons matured and unrepresented as of June 30, 1997. However, the local paying agent, Farmer's Bank and Trust Company, has only \$2,385 on deposit to pay the outstanding coupons, a difference of \$285.

Note 5. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

A. Courthouse Annex

On February 15, 1995 the Caldwell County Fiscal Court borrowed \$215,000, from Kentucky Association of Counties Leasing Trust program (KACoLT) for the construction of the courthouse annex. The terms of the lease agreement are 10 annual principal payments and 120 monthly interest payments. The interest rate is 5.82%. The principal balance at June 30, 2000 was \$161,000. Future debt requirements are as follows:

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 5. Lease-Purchase Agreements (Continued)

A. Courthouse Annex (Continued)

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001	\$ 10,473	\$ 12,000
2002	9,639	13,000
2003	8,766	13,000
2004	7,838	15,000
2005	6,804	16,000
2006-2010	<u>16,491</u>	<u>92,000</u>
Totals	<u>\$ 60,011</u>	<u>\$ 161,000</u>

B. Economic Speculation Building

On May 16, 2000, the Caldwell County Fiscal Court borrowed \$500,000, from Kentucky Association of Counties Leasing Trust program (KACoLT) for the purchase of an economic speculation building. The terms of the lease agreement are 10 annual principal payments and 120 monthly interest payments. The interest rate is 4.76%. The principal balance at June 30, 2000 was \$500,000. Future debt requirements are as follows:

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2000	\$ 2,605	\$
2001	27,585	3,719
2002	26,232	45,798
2003	23,650	48,021
2004	20,942	50,352
2005-2010	<u>60,960</u>	<u>352,110</u>
Totals	<u>\$ 161,974</u>	<u>\$ 500,000</u>

C. Ambulance Service Building

On April 12, 1996 the Caldwell County Fiscal Court borrowed \$300,000, from Kentucky Association of Counties Leasing Trust program (KACoLT) for the construction of an ambulance service building. The remaining terms of the lease agreement are 10 annual principal payments and 120 monthly interest payments. The interest rate is 5.37%. The principal balance at June 30, 2000 was \$241,000. Future debt requirements are as follows:

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 5. Lease-Purchase Agreements (Continued)

C. Ambulance Service Building (Continued)

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001	\$ 14,910	\$ 17,000
2002	13,800	18,000
2003	12,626	19,000
2004	11,388	20,000
2005	10,087	21,000
2006-2010	<u>29,647</u>	<u>146,000</u>
Totals	<u>\$ 92,458</u>	<u>\$ 241,000</u>

D. Fire Truck

On April 5, 1999, the Caldwell County Fiscal Court borrowed \$200,000, from Kentucky Area Development District Leasing Fund (KADD), for the purchase of a fire truck. The interest rate is 4.96% with semi-annual payments due on the 20th of May and November for 10 years. The principal balance at June 30, 2000 was \$184,000. Future debt requirements are as follows:

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001	\$ 8,921	\$ 16,800
2002	8,077	17,600
2003	7,192	18,600
2004	6,260	19,400
2005	5,285	20,400
2006-2009	<u>10,329</u>	<u>91,200</u>
Totals	<u>\$ 46,064</u>	<u>\$ 184,000</u>

Note 6. Insurance

For the Fiscal Year Ended June 30, 2000, Caldwell County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 7. General Obligation Bond Fund Balance

On June 30, 1999 the General Obligation Bond Series 1996 Fund balance was \$1,273,964. This balance was placed in the custody of the escrow agent, First Bank and Trust to repay debt belonging to the Caldwell County Hospital, as per the bond agreement. As of June 30, 2000, the debt of the Caldwell County Hospital that was detailed in the bond agreement had been paid. The carrying value of this account will no longer be included on the financial statement of the Caldwell County Fiscal Court.

Note 8. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1)(2), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

The Caldwell County Jail Canteen Fund had income of \$15,977, less cost of goods sold of \$12,412 less other expenses of \$892, leaving net income at \$2,673 as of June 30, 2000. All profit expenditures were for the benefit and/or recreation of the inmates.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

CALDWELL COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 849,342	\$ 874,072	\$ 24,730
Road and Bridge Fund	952,963	879,170	(73,793)
Jail Fund	108,701	127,442	18,741
Local Government Economic Assistance Fund	723,509	726,764	3,255
Ambulance Fund	102,053	79,885	(22,168)
Occupational Tax Fund	480,500	595,454	114,954
<u>Special Revenue Fund Type</u>			
Grant Fund	<u>935,057</u>	<u>766,821</u>	<u>(168,236)</u>
Totals	<u>\$ 4,152,125</u>	<u>\$ 4,049,608</u>	<u>\$ (102,517)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 4,152,125
Add: Budgeted Prior Year Surplus			708,443
Less: Other Financing Uses			
Capital Lease Agreement-Principal			
Courthouse Annex			(12,000)
Economic Speculation Building			(600,000)
Ambulance			(16,000)
Fire Truck			(16,000)
Total Operating Budget Per Comparative Schedule			
Of Final Budget and Budgeted Expenditures			<u>\$ 4,216,568</u>

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SCHEDULE OF OPERATING REVENUE

CALDWELL COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>GOVERNMENTAL FUND TYPE</u>			
<u>Revenue Categories</u>	<u>Totals (Memorandum Only)</u>	<u>General Fund Type</u>	<u>Special Revenue Fund Type</u>
Taxes	\$ 1,083,771	\$ 1,083,771	\$
In Lieu Tax Payments	25,185	25,185	
Excess Fees	39,070	39,070	
License and Permits	588	588	
Intergovernmental Revenues	2,827,816	2,060,995	766,821
Charges for Services	13,365	13,365	
Miscellaneous Revenues	19,188	19,188	
Interest Earned	40,625	40,625	
Total Operating Revenue	<u>\$ 4,049,608</u>	<u>\$ 3,282,787</u>	<u>\$ 766,821</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

CALDWELL COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 785,338	\$ 1,482,085	\$ (696,747)
Protection to Persons and Property	419,813	22,477	397,336
General Health and Sanitation	48,820	33,106	15,714
Social Services	14,102		14,102
Recreation and Culture	29,000	35,000	(6,000)
Roads	627,425	833,768	(206,343)
Airports	2,000		2,000
Debt Service	130,144	129,452	692
Capital Projects	18,000	25,499	(7,499)
Administration	1,206,869	241,154	965,715
Total Operating Budget - All General Fund Types	\$ 3,281,511	\$ 2,802,541	\$ 478,970
Other Financing Uses:			
Capital Lease Agreement-			
Principal on Lease			
Courthouse Annex	12,000	12,000	
Economic Speculation Building	600,000	600,000	
Ambulance	16,000	16,000	
Fire Truck	16,000	16,000	
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 3,925,511</u>	<u>\$ 3,446,541</u>	<u>\$ 478,970</u>
Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Health and Sanitation	<u>\$ 935,057</u>	<u>\$ 776,821</u>	<u>\$ 158,236</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Van Knight, Caldwell County Judge/Executive
Members of the Caldwell County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Caldwell County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated September 7, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Caldwell County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and is described in the accompanying schedule of findings and questioned costs.

- Reference Number 2000-1 The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$54,409 As Collateral To Protect Deposits.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Caldwell County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 7, 2001

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Van Knight, Caldwell County Judge/Executive
Members of the Caldwell County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal
Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Caldwell County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2000. Caldwell County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Caldwell County's management. Our responsibility is to express an opinion on Caldwell County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Caldwell County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Caldwell County's compliance with those requirements.

In our opinion, Caldwell County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Caldwell County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Caldwell County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 7, 2001

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CALDWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2000

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Caldwell County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards
3. One instance of noncompliance material to the financial statements of Caldwell County was disclosed during the audit and is reported in Part B of this schedule.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133
5. The auditor's report on compliance for the audit of the major federal awards programs for Caldwell County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Caldwell County reported in Part C of this schedule.
7. The program tested as a major program was: CDBG - State Administered Small Cities Program CFDA #14.228
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Caldwell County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

Reference Number 2000-1

The County Should Require Depository Institutions To Pledge Additional Collateral Of \$54,409 To Protect Deposits

On June 30, 2000, \$54,509 of the county's deposits of public funds in depository institutions was uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Judge/Executive Van Knight's Response:

This will be monitored by Farmer's Bank and also by Caldwell County Treasurer.

CALDWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2000
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CALDWELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2000

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Expenditures</u>
 Cash Programs:	
 U.S. Department of Housing and <u>Urban Development</u>	
 Passed-Through State Department for Local Government:	
Community Development Block Grants-State Administered Small Cities Program (CFDA #14.228)	\$ 766,821
 <u>U. S. Federal Emergency Management Agency</u>	
 Passed-Through State Department of Military Affairs:	
Disaster and Emergency Assistance Grants- Coordinator Salary (CFDA #83.503)	<u>660</u>
 Total Cash Expenditures of Federal Awards	 <u><u>\$ 767,481</u></u>

CALDWELL COUNTY
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2000

Note 1 - Basis of Presentation -This schedule is presented on a modified cash basis.

Note 2 - As required by this grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

Note 3 - The federal expenditures for the CDBG - State Administered Small Cities Program includes a grant to a subrecipient as follows:

<u>Subrecipient</u>	<u>Pass-through Grant Amount</u>
Caldwell County Water District	\$579,595

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

CALDWELL COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

CALDWELL COUNTY FISCAL COURT

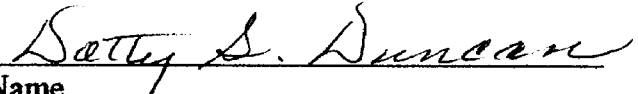
Fiscal Year Ended June 30, 2000

The Caldwell County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, appearing to read "Van Knight", written over a horizontal line.

Name

County Judge/Executive

A handwritten signature in cursive script, appearing to read "Betty S. Duncan", written over a horizontal line.

Name

County Treasurer